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Via Overnight Delivery

18 May 2001

Mr. David Waddell
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505

RE: AT&T Communications of the South Central States and TCG MidSouth, Inc.,
Petition for Structural Separation of BellSouth Telecommunications, Inc., Docket No.
01-00405

Dear Mr. Waddell:

The Association of Communications Enterprises (ASCENT), on behalf of the more than 700 competitive telecommunications company members and its xx Tennessee-based members, writes to express its support of AT&T Communications and TCG MidSouth Inc.'s (Petitioners) May 2, 2001 Petition for Structural Separation of BellSouth Telecommunications, Inc (BellSouth). Petitioners seek the structural separation of BellSouth's wholesale and retail operations. Petitioners propose that the Tennessee Regulatory Authority issue an order requiring BellSouth to structurally separate its wholesale and retail units to ensure parity between services offered to BellSouth's affiliates and those offered to competitors. ASCENT agrees.

After five years of striving to bring competitive choice to captive incumbent local exchange company subscribers following enactment of the federal Telecommunications Act of 1996 (the "Act"), meaningful local competition remains more a promise than a reality. Incumbent local exchange carriers have successfully thwarted competition at virtually every turn.

The Federal Communications Commission's ("FCC") Industry Analysis Division *Local Telephone Competition: Status as of June 30, 2000*, paints a dismal picture of competitive entry in Tennessee. According to the FCC's report, only six percent (6%) of the State's over 3.5 million lines, or 210 thousand access lines, were being served by competitors in June 2000.¹ This meager competitive entry is eclipsed by the fact that three or fewer competitors offer services to localities in an overwhelming eighty nine percent (89%) of the state's zip codes,² and no competitive service is available in locations constituting fifty five percent (55%) of Tennessee's zip codes. At best, six competitors serve a mere three percent (2%) of Virginia's zip codes, and no zip codes are served by more than six competitors.³

¹ Federal Communications Commission *Telephone Competition: Status as of June 30, 2000* (December 2000), Table 5.

² *Id.*, Table 11.

³ *Ibid.*

Clerk of the Commission
20 April 2001

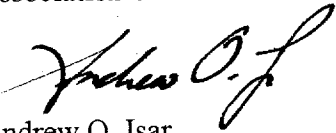
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Where incumbent market dominance prevents the competitive market place from operating normally, the public must look to legislative and regulatory action, such as the structural separation sought by Petitioners, to break apart anti-competitive incumbent barriers and disincentives for compliance with existing statutory market opening obligations. As the Pennsylvania Public Utility Commission stressed in its recent Functional/Structural Separation Order,⁴ "... 'functional/structural separation,' will enable this Commission to efficiently and expeditiously achieve what has been our ultimate goal since the enactment of [the Act]—that is, to open the local telecommunications market to competition."

Because the dominant incumbent realizes no financial incentive to treat competitors at parity with themselves, structural separation of wholesale and retail affiliates will prove effective in ensuring that all competitors are treated equally, and that the market, and not the incumbents, will control the deployment of competitive services to the public. Time is short for the TRA to implement structural separation, as more and more competitive service providers are pushed toward the brink of bankruptcy by BellSouth's continued monopoly hold on local markets that prevents competitors from entering those markets. ASCENT strongly urges the TRA to grant Petitioners' petition and order BellSouth to structurally separate its wholesale and retail units.

Sincerely,

Association of Communications Enterprises



Andrew O. Isar
Director—State Affairs

Cc: Service List

⁴ *Re: Structural Separation of Bell Atlantic-Pennsylvania, Inc. Retail and Wholesale Operations*, Docket No. M-00001353, *Opinion and Order*, March 22, 2001.